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No. 2007-1130

In the United States Court of Appeals for the Federal Circuit

IN RE BERNARD BILSKI AND RAND A. WARSAW

APPEAL FROM THE UNITED STATES PATENT AND TRADEMARK OFFICE, BOARD OF PATENT APPEALS AND INTERFERENCES

BRIEF OF *AMICUS CURIAE* CFPH, LLC IN SUPPORT OF REVERSAL

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FORM 9. Certificate of Interest

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

IN RE BERNARD L. BILSKI and RAND A. WARSAW V. _____

No. 2007-1130

CERTIFICATE OF INTEREST

Counsel for the (petitioner) (appellant) (respondent) (appellee) (amicus) (name of party)

CFPH, LLC certifies the following (use "None" if applicable; use extra sheets if necessary):

1. The full name of every party or amicus represented by me is:

CFPH, LLC

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

NOT APPLICABLE.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

Cantor Fitzgerald L.P. owns 100% of CFPH, LLC.
BGC Partners, Inc. (formerly eSpeed, Inc.) is a publicly-traded corporation affiliated with CFPH, LLC.

4. ☐ There is no such corporation as listed in paragraph 3.

5. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Dean Alderucci of CFPH, LLC

April 7, 2008
Date

Signature of counsel

Dean Alderucci
Printed name of counsel

Reset Fields

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STATEMENT OF INTEREST OF *AMICUS CURIAE*

Pursuant to the Court's Order of February 15, 2008, amicus curiae CFPH, LLC submits this brief to assist the Court in determining the proper parameters and criteria for determining whether a process is patent-eligible subject matter under section 101. Amicus offers to this Court an explanation of often-misquoted *dicta* that underlies the potentially confusing area of patent-eligible subject matter jurisprudence.

The exact nature of such a determination, if complicated, ambiguous or narrow when applied by either courts or the U.S. Patent and Trademark Office, would significantly limit and delay the ability of CFPH LLC, Cantor Fitzgerald, L.P. and their affiliates (collectively "Cantor") to obtain patents and would limit the duration of the many patents that Cantor would nevertheless obtain, and would increase the costs of obtaining those patents.

Cantor is a global financial services provider and recognized leader in the specialized areas of equity and fixed income capital markets. It also operates in investment banking, merchant banking, asset management, clearing and market data services, and energy emissions. Cantor invests substantial financial and human resources in developing important new technologies and in seeking patent protection for those technologies.

SUMMARY OF ARGUMENT

The Seventh Amendment of the U.S. Constitution prevents certain factual inquiries from being performed under the rubric of a patent-eligible subject matter analysis, since subject matter analysis is performed without the requisite factual findings. Thus, as described below, the Seventh Amendment prevents a patent-eligible subject matter test under section 101 from incorporating or usurping the enablement test or the obviousness test. Appellee has proposed just such an unconstitutional test for patent eligible subject matter.

The Seventh Amendment preserves the right to trial by jury on certain matters, and thus prevents the substance of certain factual inquiries from being decided solely as a matter of law by a judge without those jury findings.

In particular, the Seventh Amendment prevents certain factual determinations, such as those underlying an enablement analysis or an obviousness analysis, from being performed under the rubric of a statutory subject matter analysis if that would lead to a contradictory result of patentability. Both the enablement analysis and the obviousness analysis have counterparts in pre-1791 law, and thus their rights to determination by jury are preserved. Accordingly, any enablement analysis or obviousness analysis must involve factual findings, and cannot be made absent those factual findings.

However, Appellee's arguments essentially recast Nineteenth and Twentieth century enablement and obviousness case law as case law involving categorical 'exceptions' to patent-eligible subject matter – i.e. exceptions that render a patent claim invalid without any findings of fact. For example, Appellee purports to introduce into the Section 101 subject matter analysis certain 'overbreadth' enablement concerns and 'usurpation of common knowledge' obviousness concerns. The Seventh Amendment compels that such enablement and obviousness considerations must be determined based on a jury's factual findings, and cannot be made without such factual findings.

Moreover, Appellee in several instances relies on and quotes *dicta* which are not supported by the precedents of this Court or by the Supreme Court of the United States. The 'precedent' that appears to require that there be exceptions to section 101 is actually a collection of mere *dicta*; those cases either (a) did not result in invalidation of any patent claim for any reason, or else (b) invalidated patent claims for lack of enablement or for obviousness.

Appellee's analysis of the case law is incorrect, and only adds confusion to this already abstruse area of the law. Appellee asks to add exception upon exception, attempting to draw the subject matter analysis even further from the broad and expansive guidelines set forth by Congress and affirmed by the Supreme Court in *Diamond v. Diehr*.

ARGUMENT

QUESTION 2 - What standard should govern in determining whether a process is patent-eligible subject matter under section 101?

1. Controlling Supreme Court jurisprudence sets forth a broad reading of section 101

Despite earlier jurisprudence and earlier *dicta*, the Supreme Court in its most recent decision involving patent eligibility under Section 101 determined that Section 101 was to be interpreted very broadly.

In *Diamond v. Diehr*, 450 US 175 (1981), the Supreme Court expressly held that "in dealing with the patent laws, we have more than once cautioned that courts 'should not read into the patent laws limitations and conditions which the legislature has not expressed.' " *Diamond v Diehr,* 450 U.S. 175, 182 (quoting *Diamond v. Chakrabarty*, 447 US 303, 308 (1980), in turn quoting *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199 (1933)).

Indeed, it would clearly violate the settled principle of statutory construction that courts are bound by the statute's text, and the corollary principle that courts may not simply create exceptions or other amendments to that text based on their

own views of sound policy. *See, e.g., Michaelson v. U. S. ex rel. Chicago, St. P., M. & O.*, 266 U.S. 42,68 (1924).

If the Supreme Court really meant to create "judicial exceptions" from the categories of patentable matter identified in Section 101, it would have been in square violation of that principle. Obviously, that is not what the Supreme Court intended to do.

Nevertheless, language in certain Supreme Court decisions has occasionally been read to suggest that a patent cannot be granted if the claimed invention falls within any of three 'exceptions': a 'law of nature', a 'natural phenomenon', or an 'abstract idea'. Indeed, to treat these three categories of unpatentable subject matter as "exceptions" to the statutory criteria under section 101 would be wrong as described below. *First*, it would violate the broad construction to be accorded to Congress' language, as argued above. *Second*, incorporating certain tests for such exceptions into the section 101 analysis would violate the Seventh Amendment. *Third*, the 'precedent' that appears to require that there be exceptions to section 101 is actually mere *dicta*, since those cases either (a) did not invalidate any patent claim, or else (b) invalidated patent claims for lack of enablement or for obviousness, not for falling into an exception to patent-eligible subject matter.

2. The Seventh Amendment prevents a section 101 analysis from involving factual determinations which must be made by a jury

By definition, patent-ineligible subject matter under section 101 is unpatentable though it otherwise meets all other requirements, such as novelty, nonobviousness and enablement. Falling into one of the 'exceptions' to section 101 – 'abstract idea', 'law of nature', or 'natural phenomena' - means the other patent eligibility analyses need not be conducted. For example, the analysis under section 101 has never been purported to include, e.g., an enablement analysis.

A determination of patent-ineligibility under section 101 is not based on any factual findings by a jury, such as a finding that a claim is not enabled or is obvious in light of the prior art. It is well-established that "whether the asserted claims ... are invalid for failure to claim statutory subject matter under 35 U.S.C. § 101, is a question of law which we review without deference." *In re Comiskey,* 499 F.3d 1365, 1373 (Fed. Cir. 2007); *AT & T Corp. v. Excel Commc'ns, Inc.,* 172 F.3d 1352, 1355 (Fed. Cir. 1999).

3. Enablement and nonobviousness are guaranteed to be determined by a jury

The Supreme Court set forth its general approach to the Seventh Amendment inquiry in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370

(1996). The inquiry, for actions that were tried at law before the equity-law merger, is "whether the particular trial decision must fall to the jury in order *to preserve the substance of the common-law right* as it existed in 1791." *Id.* at 376 (emphasis added). In light of the essence of the Seventh Amendment, the Court has, at times, distinguished between "substance and procedure" or "fact and law." *See id.* at 378. The overriding concern is to protect the "substance" of the jury right at common law.

Because the Seventh Amendment is a matter of constitutional law, the "'question of whether a party is entitled to a jury trial is a question of law,' subject to review without deference." *Agfa Corp. v. Creo Prods.*, 451 F.3d 1366, 1371 (Fed. Cir. 2006). As a pure question of law, no court has any discretion in enforcing the Seventh Amendment obligation. Instead, a court must determine whether the issue to be determined is, in substance, of the type that would have been resolved by a jury at common law.

Agfa demonstrates that the Seventh Amendment inquiry turns on the substance of the right involved. In that case, this Court reviewed a bench trial adjudicating the invalidity of a patent for inequitable conduct. *Id.* at 1371. The court assessed the similarity of claims of inequitable conduct and the common-law writ of *scire facias* (which entailed trial by jury). After evaluating their key

criteria, the court determined that claims of inequitable conduct do not share the essential components of *scire facias* such that the jury right would apply to both. *Id.* at 1375. The compare-and-contrast exercise demonstrates that the Seventh Amendment inquiry must bore down into the core of the rights at issue; names and procedures alone do not dictate the requirements of the Amendment.

More evidence that the Seventh Amendment exists to protect the *substance* of a right—even against barriers that might cause indirect damage—can be found in *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500 (1959). In that case, the Court invalidated a bifurcated trial where equitable declaratory relief claims would have been resolved by bench trial before further jury hearings on a cross-claim and counterclaim. The Court held that the bench trial would resolve common issues and would, as a result, deprive Beacon of its Seventh Amendment right. *Id.* at 508. Thus, when the jury right applies, a judge cannot avoid the obligation by disposing of related issues in a way that would damage the Seventh Amendment principle.

Enablement and obviousness determinations have Seventh Amendment protection. *See, e.g., Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 379 (1996):

> "At the time relevant for Seventh Amendment analogies ... patent litigation in that early period was typified by so-called novelty actions, testing whether

"any essential part of [the patent had been] disclosed to the public before," Huddart v. Grimshaw, Dav. Pat. Cas. 265, 298 (K. B. 1803), and "enablement" cases, in which juries were asked to determine whether the specification described the invention well enough to allow members of the appropriate trade to reproduce it, see, e.g., Arkwright v. Nightingale, Dav. Pat. Cas. 37, 60 (C. P. 1785).

Thus the substance of the enablement and obviousness determinations cannot be avoided by disposing of related issues in a way that would damage the Seventh Amendment principle.

4. The Seventh Amendment is violated by any section 101 analysis which incorporates enablement tests or obviousness tests

In light of the fact that enablement and obviousness determinations must be tried by a jury, a determination of patent-ineligibility under section 101 cannot involve enablement or obviousness determinations. Otherwise, the Seventh Amendment protections for those determinations would be violated.

Also, jurors are sometimes required to determine as a factual matter whether a particular invention falls within one of the categories identified in Section 101.

Arrhythmia Research Technology, Inc. v. Corazonix Corp., 958 F.2d 1053, 1055 (Fed. Cir. 1992). In such a trial, if a jury had found that the invention fell into a particular statutory category of patentable subject matter, and if a reviewing court then overturned that finding on the ground that the invention nevertheless falls into a judicially created "exception" to the statutory categories, this would violate the Reexamination Clause of the Seventh Amendment. That Clause prohibits a reviewing court from reexamining any "fact tried by a jury," except "according to the common law." *Const. Amend. VII.* Such a court was not authorized at common law to re-interpret the law so as to vitiate the jury's fact findings. *See, e.g., N. Y. Cent. & Hudson River R.R. Co. v. Fraloff*, 100 U.S. 24, 31 (1879) (noting that the reviewing court's authority "does not extend to a re-examination of facts which have been tried by the jury under instructions correctly defining the legal rights of parties").

5. Appellee incorrectly relies on *dicta* as setting forth categorical exceptions to section 101

In several instances Appellee quotes and relies on *dicta* which are not supported by the precedents of this Court or by the Supreme Court of the United States. Despite the oft-quoted and misapplied *dicta* that patentable subject matter under Section 101 excludes "laws of nature, natural phenomena, and abstract

ideas.", only *two* Supreme Court decisions have ever held a patent claim invalid for falling into any such 'exception', and then only the 'abstract idea' exception. Thus, no judicial precedent *compels* the narrow reading of section 101 suggested by the *dicta* because there is no *stare decisis* effect from the vast majority of Supreme Court cases cited for such exceptions.

Specifically, as described below, no Supreme Court decision has ruled a patent claim invalid for being a law of nature or a natural phenomena, and only two Supreme Court decisions, *Gottschalk v Benson* and *Parker v Flook*, have ever held a patent claim invalid for being 'abstract'. More importantly, these two Supreme Court decisions were severely limited by subsequent decisions in *Diamond v Diehr* and *Diamond v Chakrabarty*, which held that section 101 is to be given a very broad construction.

As described below, the Appellee relies on *dicta* quoting *dicta* to support the 'exceptions' to section 101. All of the cases cited for this proposition (i.e., all those cases cited by the majority in *Gottschalk v Benson* or in *Parker v Flook*) clearly fall squarely into two categories:

(a) cases where no claim was invalidated at all (and thus where *stare decisis* does not compel any court-made reason to render a claim unpatentable)

(b) cases where claims were invalidated for lack of enablement or obviousness (and thus where *stare decisis* does not compel that any *subject matter* be ineligible)

Regarding the cases where claims were invalidated for lack of enablement or obviousness, as described above, the Seventh Amendment prevents any section 101 inquiry from usurping or incorporating enablement tests or obviousness tests, whether or not those tests have purportedly been used by courts in a section 101 analysis.

6. Where a case did not result in any claim being invalidated, there clearly is no *stare decisis* that create a test for invalidity – only *dicta* exists

There are certain cases Appellee cites for the proposition that certain types of subject matter (the three 'exceptions') are patent ineligible. However, since those decisions did not hold any claim to be *invalid*, those cases cannot stand for any criteria for when a claim should be invalidated as *ineligible* subject matter. In other words, where a subject matter test is purported to be a way to invalidate a claim, that test must have actually been used to invalidate a claim in order for any *stare decisis* effect to be accorded to that test.

In each of the following cases, cited by the Supreme Court in *Gottschalk v Benson* and / or in *Parker v Flook*, *no claim* was rendered invalid:

Telephone Cases, 126 U.S. 1, 534, 8 S.Ct. 778, 782, 31 L.Ed. 863 (1888)

Tilghman v. Proctor, 102 U.S. 707, 721, 26 L.Ed. 279 (1880)

Cochrane v. Deener, 94 U.S. 780, 24 L.Ed. 139 (1876)

Expanded Metal Co. v. Bradford, 214 U.S. 366, 29 S.Ct. 652, 53 L.Ed. 1034 (1909)

Smith v. Snow, 294 U.S. 1, 55 S.Ct. 279, 79 L.Ed. 721 (1935)

Waxham v. Smith, 294 U.S. 20, 55 S.Ct. 277,79 L.Ed. 733 (1935)

Corning v. Burden, 15 How. (56 U.S.) 252, 267-268, 14 L.Ed. 683 (1854)

Eibel Process Co. v. Minnesota & Ontario Paper Co., 261 U.S. 45 (1923)

Le Roy v. Tatham, 14 How. (55 U.S.) 156, 175, 14 L.Ed. 367 (1853)

Thus none of the above cases stand for any proposition of when a patent claim is ineligible subject matter.

7. Appellee incorrectly relies on enablement and obviousness precedent as setting forth exceptions to section 101

Despite certain *dicta* often quoted out of context, the case law does not demonstrate any precedent for invalidating claims for encompassing patent-ineligible subject matter (i.e. without finding that the claims lacked enablement or were obvious in light of the prior art). Instead, the case law demonstrates that claims may be invalidated for obviousness or for lack of enablement.

As described above, the Seventh Amendment prevents any section 101 inquiry from usurping or incorporating enablement tests or obviousness tests, whether or not those tests have purportedly been used by courts in a section 101 analysis. Further, since these cases rely solely on enablement and obviousness principles, none of these cases stand for any proposition of when a patent claim is ineligible subject matter.

Lack of Enablement cases

In each of the following cases, cited by the Supreme Court in *Gottschalk v Benson* and / or in *Parker v Flook*, claims were held invalid because of a lack of enablement (i.e. the scope of a patent cannot exceed its specification and scope of enablement).

- *O'Reilly v. Morse,* 56 U.S. 62, 119-120 (1853) (patentee must "specif[y] the means he uses in a manner so full and exact, that any one skilled in the science to which it appertains, can, by using the means he specifies, without any addition to, or subtraction from them, produce precisely the result he describes", and O'Reilly's invalidated claim "can derive **no aid from the specification filed. It is outside of it, and the patentee claims beyond it**. And if it stands, it must stand simply on the ground that the broad terms abovementioned were a sufficient description, and entitled him to a patent in terms equally broad") (emphasis added)

- *Mackay Radio & Telegraph Co. v. Radio Corporation of America*, 306 U.S. 86, 89, 59 S.Ct. 427, 428 – 429 (1939) ("The result of reading the application as respondent contends it should be construed is precisely the same as though full effect were given to a claim which goes **beyond the invention described** [in the application], and it is open to the same objection") (emphasis added)

- *White v. Dunbar*, 119 U.S. 47, 50, **30 L. Ed. 303**, 7 S. Ct. 72 (1886) ("This is certainly, on its face, a very important enlargement of the claim; and we see nothing **in the context of the specification in the original patent which could possibly give the claim so broad a construction.** ... But the object of an

invention is a very different thing from the invention itself. The object may be accomplished in many ways; the invention shows one way.") (emphasis added)

Obviousness ('lack of invention') cases

In each of the following cases, cited by the Supreme Court in *Gottschalk v Benson* and / or in *Parker v Flook*, claims were held invalid because of a lack of 'invention' (the phrase used prior to the 1952 Patent Act for 'obviousness').

- *Rubber-Tip Pencil Co. v. Howard*, 87 U.S. 498, 507 (1874) (Because his invention was stated too broadly, his device, **"though useful, was not new**." "Everybody knew, when the patent was applied for, that if a solid substance was inserted into a cavity in a piece of rubber smaller than itself, the rubber would cling to it. The small opening in the piece of rubber not limited in from or shape, was not patentable, neither was the elasticity of the rubber." "The form, therefore, of the inside cavity [of the eraser] is no more the subject of the patent than the external shape. Any piece of rubber with a hole in it is all that is required thus far to meet the calls of the specifications, and thus far **there is nothing new**, therefore, in the invention.") (emphasis added)

- *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 132, 68 S.Ct. 440, 442 (1948) ("Even though it [the invention] may have been the product of skill, it certainly was **not the product of invention**" and "however ingenious the discovery of that natural principle may have been, the application of it is **hardly more than an advance in the packaging** of the inoculants") (emphasis added)

QUESTION 4 - Whether a method or process must result in a physical transformation of an article or be tied to a machine to be patent-eligible subject matter under section 101?

There is no precedent that a process must be 'tied' to a machine

Neither the *Telephone Cases* nor *O'Reilly v. Morse* stand for the proposition that processes must be 'tied' to machines. Rather, they are *enablement* cases that stand for the proposition that the disclosure of a *particular* machine may, but does not necessarily, describe and enable *all machines and methods* for performing the functions of that machine. Contrast, *Telephone Cases*, 126 U.S. 1, 534 - 535, 8 S.Ct. 778, 782, 31 L.Ed. 863 (1888)

"the claim is not for the use of a current of electricity in its natural state as it comes from the battery, but for putting a continuous current in a closed circuit into a certain specified condition suited to the transmission of vocal and other sounds, and using it in that condition for that purpose.

...

It may be that electricity cannot be used at all for the transmission of speech except in the way Bell has discovered, and that therefore, practically, his patent gives him its exclusive use for that purpose, but **that does not make his claim one for the use of electricity distinct from the particular process** with which it is connected in his patent. It will, if true, show more clearly the great importance of his discovery, but it will not invalidate his patent." (emphasis added)

with *O'Reilly v. Morse,* 56 U.S. 62, 119-120 (1853):

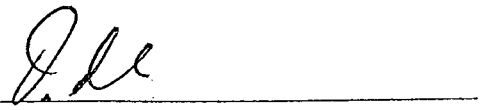
The patentee must "specif[y] the means he uses in a manner so full and exact, that any one skilled in the science to which it appertains, can, by using the means he specifies, without any addition to, or subtraction from them, produce precisely the result he describes", and the invalidated claim "can derive **no aid from the specification filed. It is outside of it, and the patentee claims beyond it.** And if it stands, it must stand simply on the

ground that the broad terms abovementioned were a sufficient description, and entitled him to a patent in terms equally broad") (emphasis added)

CONCLUSION

For the foregoing reasons, the decision of the Board should be reversed.

Respectfully Submitted.



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CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE REQUIREMENTS

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B).

The brief contains 3738 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6).

The brief has been prepared in a proportionally spaced typeface using Microsoft Office Word 2003 in 14 point Times New Roman.

Dated: April 7, 2008

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CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of April, 2008, a true and correct copy of the Brief of Amicus Curiae CFPH, LLC in Support of Reversal was served by United States mail to:

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